



“Negotiation Tactics - The Mindset Required to Reduce Commercial Debt”

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When it comes to reducing the overall commercial debt burden of a client, money isn't the only thing involved in a negotiation. Mindset plays a key role, and a proper frame of mind is critical to a successful conclusion.

Let's say you owe \$50,000 and you enter into a negotiation with a creditor. Suppose you have established that the most you can afford to pay is \$20,000 so the first offer you make to settle the debt is \$15,000.

Remember, after you make a settlement offer, you do not need to sit and wait for a response. If you do, you will miss the benefits of a powerful negotiating tactic.

You believe that the creditor will refuse the initial offer amount of \$15,000, so you go back and offer \$17,000, and then you proceed to increase the offer by increments of \$1,000 each time. Each time, make sure to reinforce the understanding that you are faced with extreme financial hardships and that you are unable to offer much more. Now suppose you have reached \$20,000, and the creditor still will not accept the offer at that amount.

Instead, he gives you a counter offer of \$25,000. My tactic at this point is to terminate all communications for some period, possibly a week or several days, and determine if this creditor is going to contact me, and of course if he does, it is because he wants to consummate a deal.

If he does not, I go ahead and contact him and ask if he has had time to consider the last offer I had made. If he responds yes but his posi-



tion is the same, then I usually stay firm and say that I understand, and if things change I would definitely like to hear from him again. At this point, all I can do is wait until his (or her) mindset changes enough that we reach an agreement. I can afford no more according to the overall debt reduction plan.

You also have to find a win-win solution in these negotiation situations. If only one party leaves the process feeling positive, it is not a win-win solution. Neither party should leave the negotiation feeling that they lost something or left something on the table. If you enter your negotiations with this in mind, you will ultimately achieve much better overall results. I know this is the proper mindset because I have been negotiating commercial debt for more than 20 years now, and my average is a reduction of nearly 60%.

As such, both parties in a negotiation, creditor and debtor (or their representatives) should feel positive about the end result, and money is not the only element of the negotiation. Feelings are also at stake and they need to be respected. For this reason, I do not rush to make a deal, and I would rather wait until an agreement is reached where both parties feel that in some sense they have won.

Every time I negotiate a commercial debt down to 50% or so, I feel I have done my job for my client and obtained him or her a good deal. What is a good deal? It is a resolution that is fair under all circumstances at the time. If you are being sued for non-payment, the creditor would feel it's a good deal if you were to pay the full amount 10 to 30 days after you were sued, but guess what? In actuality, that only happens about 10% of the time.

The other 90% of the time, the debtor does not pay anything at all, and the judge may issue a judgment against the debtor. At this point, the creditor in the above scenario would beg for the opportunity to go back and accept the \$20,000 offer of settlement. His (or her) mindset has changed since the point in time that they refused the offer.



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Usually, if you give the process enough time, there will be a meeting of minds and both parties can leave the negotiation satisfied they have won.

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www.AndreLarabie.com

Andre Larabie is a published writer and successful business coach. Get a free excerpt from his book on commercial debt reduction at:

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About The Author

André Larabie, PhD, is distinguished for his expertise in Teaching, Coaching, Business Turnaround and Consulting, Commercial Debt Resolution, Consumer Debt Collection, Mediation and Arbitration. He has owned and operated 2 collection agencies, a Factoring Organization, and a Business/Management Consulting Practice in both the USA and Canada.

Dr. Larabie has authored many college-level publications in Canada, including the following Doctorate Dissertations: "Starting a Factoring/Financing Company," "The Opening of a Business College," and "The Psychological Ramifications of Online Education."